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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-02 NSC-05 PM-03 SAM-01 CIAE-00

DODE-00 INR-05 NSAE-00 PA-01 RSC-01 USIA-06 PRS-01

SP-02 EB-07 AID-05 COME-00 TRSE-00 AGR-05 SWF-01

INT-05 FRB-01 CIEP-01 OMB-01 XMB-02 /066 W
---------- 076268
R 041115Z DEC 74
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 7858
INFO AMEMBASSY NEW DELHI
AMCONSUL KARACHI
AMCONSUL LAHORE

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E.O. 11652: N/A
TAGS: ETRC, IN, PK
SUBJECT: INDO-PAKISTAN TRADE AGREEMENT

REF: (A) ISLAMABAD 11255; (B) NEW DELHI 15953; (C) NEW DELHI 16104

1. SUMMARY. KEY GOP COMMERCE AND MFA OFFICIALS INFORMED EMBOFFS IN SEPARATE DISCUSSIONS THAT THE INDO-PAK TRADE TALKS WERE CORDIAL AND AGREEMENT ON BASIC ISSUES WAS REACHED WITHOUT DIFFICULTY. HOWEVER, GOP OFFICIALS DO NOT EXPECT VOLUME OF TRADE TO BE SUBSTANTIAL. END SUMMARY.

2. IN A DECEMBER 3 MEETING WITH ECON COUNSELOR AND EMBOFF, GOP COMMERCE SECRETARY EJAZ NAIK, WHO LED DELEGATION, CONFIRMED THAT TRADE IN ITS INITIAL STAGES WOULD BE STRICTLY A GOVERNMENT-TO-GOVERNMENT AFFAIR OPERATED VIA STATE ENTERPRISES. HE ESTIMATED THAT THIS G-TO-G TRADE ARRANGEMENT WOULD HOLD THROUGH 1975. WHEN BOTH SIDES ARE READY, THE AGREEMENT CAN BE EASILY AMENDED TO PERMIT PRIVATE TRADING.

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3. NAIK SPECULATED THAT RICE AND COTTON WILL BE PAKISTAN'S MAJOR EXPORTS TO INDIA SINCE THE GOI WAS MOST INTERESTED IN

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THESE ITEMS. IN RETURN THE GOI HOPES TO SELL MACHINERY TO PAKISTAN, BUT THE PAKISTANI SIDE WARNED THAT THESE ITEMS WOULD HAVE TO BE COMPETITIVE IN QUALITY AND PRICE. AT GOI REQUEST, IRON ORE (FROM INDIA) WAS MENTIONED IN THE AGREEMENT, ALTHOUGH THE PAKS POINTED OUT THAT THE PAK STEEL MILL WILL NOT BE IN OPERATION BEFORE 1978 AT THE EARLIEST. NAIK TOLD THE INDIAN DELEGATION THAT THE GOP WOULD IMPORT SAMPLES OF INDIAN ORE IN THE NEAR FUTURE FOR TESTING PURPOSES.

4. NAIK STATED THAT THE GOP HAD CONTEMPLATED RESTORING TRADE BEGINNING JANUARY 1, 1975 BUT AT GOI REQUEST THE DATE WAS MOVED FORWARD TO DECEMBER 7. THIS WAS DONE BECAUSE THE GOI WISHED TO BEGIN PURCHASING PAKISTANI RAW COTTON AS SOON AS POSSIBLE. (A KARACHI PAPER SAID THAT TRADE CIRCLES EXPECTED INDIA TO BUY DURING THE NEXT YEAR 100,000 TO 200,000 BALES OF LONG STABLE WHICH WOULD BE WORTH ABOUT $15 MILLION TO $30 MILLION.)

5. NAIK SPECULATED THAT THE TOTAL VOLUME OF TWO-WAY TRADE WOULD NOT BE SUBSTANTIAL FOR SOME TIME. HE ADDED THAT PRIOR TO THE 1965 TRADE EMBARGO, THE ANNUAL BILATERAL TRADE FLOW HAD NOT BEEN SUBSTANTIAL. FURTHERMORE, WE NOTE THAT MUCH OF THE PREVIOUS INDIAN-PAK TRADE WAS WITH FORMER EAST PAKISTAN.

6. INITIALLY TRADE WILL BE BY THIRD COUNTRY SHIPS BUT AN EXPERTS MEETING IS SCHEDULED IN DECEMBER TO DISCUSS METHOD-OLOGY WHEREBY INDIAN AND PAK SHIPS MAY VISIT EACH OTHERS' PORTS. LIKEWISE, A SIMILAR EXPERTS MEETING IS SCHEDULED IN JANUARY TO DISCUSS RESTORATION OF RAIL TRAFFIC BETWEEN THE TWO COUNTRIES.

7. NAIK OBSERVED THAT THE CHIEF ADVANTAGE OF THE TRADE AGREEMENT TO BOTH COUNTRIES WILL BE SAVINGS IN FOREIGN COSTS. PAYMENTS WILL BE IN CONVERTIBLE CURRENCIES.

8. IN HIS APPRAISAL OF THE POLITICAL IMPLICATIONS OF THE SUCCESSFUL TRADE NEGOTIATIONS ANOTHER PARTICIPANT, MFA DIRGEN (SOUTH ASIA) ABDUL SATTAR, STRESSED, AS HE HAS IN
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CONNECTION WITH OTHER ITEMS ON THE SIMLA AGENDA, THAT THE GOP VIEWS PROGRESS TOWARDS NORMALIZATION LARGELY IN TERMS OF THE ADVANTAGES (NARROWLY DEFINED) THIS CAN BRING TO PAKISTAN. HE TOLD THE POLITICAL COUNSELOR THAT PAKISTAN WOULD TRADE WITH INDIA ONLY TO THE EXTENT IT WAS COMMERCIALLY ADVANTAGEOUS FOR HER TO DO SO AND STATED FLATLY THAT THE GOP HAD NO INTENTION OF FOSTERING SUCH TRADE IN ORDER TO STRENGTHEN INDO-PAK RELATIONS IN THE BROADER SENSE. HE DID NOT THINK THAT TRADE WOULD EVER DEVELOP TO THE POINT WHERE INDUSTRIALLY MORE ADVANCED INDIA WOULD THREATEN TO SWAMP

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THE PAKISTAN MARKET; LICENSING, HE FELT, WOULD SEE TO THAT. NOR WOULD PAKISTAN ALLOW ITSELF TO BE PUT IN A POSITION OF BEING DEPENDENT ON INDIA FOR ANY VITAL INPUT. HE CAUTIONED THAT THE NEW DELHI TALKS SHOULD BE SEEN MAINLY AS A SUCCESS-FUL EFFORT TO ELIMINATE THE OBSTACLES TO TRADE; POSITIVE MOVES WOULD NOW FOLLOW BUT, IN HIS VIEW, THEY WOULD NOT FOR BOTH POLITICAL AND ECONOMIC REASONS LEAD TO A HEAVY TRADE VOLUME.
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